

**MANAGEMENT REVIEW ELEMENTS
HIGHWAY SAFETY PROGRAM (Final1/31/08)**

State of: _____

Review Dates: _____

Reviewer(s): _____

A Management Review (MR) assesses the adequacy of a State highway safety agency's organization and staffing, program management, and financial management systems as they relate to its Federally funded highway safety program. The review also documents a State highway safety program's best practices and strengths.

Definitions:

Management Review - A review of a State Highway Safety Office's (SHSO's) systems, programs, and operational processes for the purpose of improving and strengthening highway safety practices to ensure efficient administration and effective planning, implementation, and evaluation of programs that have potential for saving lives.

Finding - A determination that one or more areas of review is in noncompliance with Federal and/or State laws, regulations, rules, and/or Federal written policy and/or guidelines.

Required Action - A specific corrective action based on Federal and/or State laws, regulations, rules, and/or Federal written policy and/or guidelines that must be implemented by the State to resolve a noncompliance issue (Finding). The status of the open Required Actions will be documented in the Corrective Action Plan. (CAP)

Management Consideration (MC) - A determination that one or more areas of review may be in need of additional progress or improvement, and if improved, have the potential to enhance the overall efficiency and/or effectiveness of the State's highway safety program.

Recommended Action - Recommended approach based on a management consideration which has the potential to enhance program efficiency and effectiveness. Since recommendations by definition *do not* concern noncompliance issues but rather fall into the good business practice realm, the State would not be obligated to implement the proposed remedy.

Commendation – recognition of strong effort, best practices and/or exemplary performance.

High-Risk Grantee - A grantee or sub-grantee determined by the awarding agency to (1) have a history of unsatisfactory performance, or (2) be financially unstable, or (3) have a management system that does not meet the management standards set forth in 49CFR §18:12, or (4) not conform to terms and conditions of previous awards, or (5) be otherwise not responsible.

Corrective Action Plan - A document developed jointly between NHTSA and the SHSO that identifies actions to address findings set forth in the Management Review Final Report, tasks to complete the actions, target dates for completion of each task, and a status element for indicating progress of each required action based upon periodic reporting by the State. This also includes a signed letter of understanding.

The following elements are to be addressed in each Management Review. Any related Federal law, regulation, rule, policy, or guideline is noted next to or in the text of the item. Also noted is “**Finding**” or “**MC**” indicating the most likely result of a deficiency in the item reviewed. The MR Elements are to be used in conjunction with the Project File Review Checklist. Both documents are to be used in conjunction with the guidance contained in the MR Guidelines as revised July 2, 2007.

*Review items normally accomplished during Preparation Phase

I. ORGANIZATION AND STAFFING

A. * Enabling Legislation and Functions

Identify and obtain a copy of the legislation and/or Executive Order establishing the authority, organization, placement, and functions of the SHSO. 23 CFR Part 1251 prescribes the minimum authority and functions of the State Highway Safety Agency. Refer to these criteria for further guidance in performing these review steps. (23 USC, Chapter 4, §402, (b)) **Finding**

B.* Organizational Structure and Placement in Overall State Organization

“...[T]he Governor of the State shall be responsible for the administration of the program through a State highway safety agency which shall have adequate powers and be suitably equipped and organized to carry out, to the satisfaction of the Secretary, such program;” (23 USC, Chapter 4, §402, (b) (1) (A)) **Finding**

Obtain a copy of the current organizational chart of the SHSO. This chart should show the placement of the SHSO relative to other State agencies, and show the organizational units in the SHSO (planning/evaluation unit, financial management,

program operations, etc.) and the names of the people currently filling these positions. The State should be asked where it is placed organizationally relative to other State agencies. **MC**

C. Staffing

- 1.* Identify the name and official title of the Governor's representative and that person's placement within the State government hierarchy. **MC**
- 2.* Identify the name and title of the full-time SHSO director (if other than Governor's Representative) and determine if he/she has direct access to the GR. **MC**
- 3.* Determine if the SHSO staffing plan addresses basic planning, program management, financial management, and other technical area functions consistent with the management of a statewide program. **MC**
 - a. Are staffing levels and functional responsibilities adequate for the size of the program? **MC**
 - b. Is there a coordinator for each major program area? **MC**
 - c. Does staffing level enable SHSO to meet due dates with quality products? **MC**
4. How are projects assigned to program coordinators? Program area? Geographical area? Other? **MC**
- 5.* Does the SHSO have policies and procedures specific to the federally funded highway safety program addressing areas such as: planning, project development, project preparation and execution, project administration, monitoring, evaluation, financial management, and program closeout? **MC**
 - a. If so, when were they last revised? **MC**
 - b. Is SHSO staff aware of procedures? **MC**
 - c. Is there evidence that the staff is using them? **MC**
 - d. Is there periodic training/orientation to SHSO staff on the procedures? **MC**

D. Delegations of Authority

A system of written delegations of authority and responsibility to carry out the assigned functions of the SHSO is basic to effective management. **MC**

- 1.* Determine if such a system exists, if it is current, and if it provides signatory authority to authenticate official documents (contracts, agreements, certifications of payment, purchase orders, invoices, checks, personnel actions, payroll) **MC**
- 2.* Determine if delegations provide for carrying out the responsibilities and functions of the SHSO on a continuing basis in the absence of top-level management officials. **MC**

E. Personnel Development and Training

1. Determine how the SHSO identifies and meets training needs for management and staff. **MC**
2. Has appropriate SHSO staff attended NHTSA courses Program and Financial Management, Data Analysis and Evaluation, etc., or GHSA's Executive Seminar or other GHSA sponsored professional development seminars? **MC**
3. Does SHSO staff participate in national highway safety conferences and forums to obtain state-of-the art technology transfer, such as Lifesavers, GHSA Annual Meeting, National CPS Conference, and Traffic Records Forum? **MC**
4. Evaluate any guidelines for authorization, justification, or payment of the training. **MC**
5. Assess the adequacy of training programs to develop sub-grantee/project personnel such as: the Highway Safety Project Management Course or similar training? If so, how often and what does the training cover? **MC**
6. Roadblocks to effectiveness.
 - a. Determine if there are organizational issues that limit or impede SHSO effectiveness (travel restrictions, hiring freezes/restrictions, political/legislative pressures or issues, etc.) **MC**
 - b. Determine if NHTSA can assist State in resolving some of these issues. **MC**

II. PROGRAM MANAGEMENT

A. Planning and Programming

1. Determine if SHSO staff has a copy of the latest revision of NHTSA's Highway Safety Grants Management Manual or knows where to access it on the

Web. **MC**

2. Review SHSO's system for developing and implementing the Performance Plan, HSP and project agreements. Determine whether the Performance Plan, HSP, and Annual Report conform to applicable requirements of: 49 CFR §18; 23 CFR Part 1200; and 23 CFR, §1251.4 (e), (f), (h). **Finding**
3. Refer to NHTSA's most recent FY HSP/Performance Plan Review results and HSP approval letter, the Annual Report Review results, Annual Report Response letter, and any related comments and correspondence.
 - a. Follow up on any comments or weaknesses to determine progress by the State. **MC**
 - b. Were the documents submitted on a timely basis? (23 CFR, §1200.12 and 23 CFR, §1200.33) **Finding**
 - c. Do the planned projects and activities as described in the HSP correspond to goals of the Performance Plan, and do the funded projects and activities as described in the Annual Report relate to the planned projects and activities of the HSP? **MC**
 - d. Does the State assess program performance through analysis of data relevant to the highway safety planning? (23 CFR, §1251.4 (i)) **Finding**
 - e. Does the SHSO provide information and assistance to prospective aid recipients on program benefits, procedures for participation, and development plans? Does the State encourage and assist local units of government to improve their highway safety planning and administrative efforts? (23 CFR, §1251.4 (c)(d)) **Finding**
 - f. Does the Performance Plan describe the strategies used for project or activity selection (e.g., constituent outreach, public meetings, solicitation of proposals), and list information and data sources consulted? (23 CFR, §1251.4 (c)(d) and 23 CFR, §1200.10 (a) (2)) **Finding**
4. Does the Performance Plan include a brief description of the processes used to identify its highway safety problems and is it based on the evaluation of highway crashes and safety problems within the State? (23 CFR Part 1200.10 (a) (2) and 23 CFR 1251.4 (a)) **Finding**
 - a. How are identified problems prioritized and ranked? **MC**
 - Magnitude?

- Degree of over representation?
- Impact?
- Other?

b. Is problem ID approach comprehensive? **MC**

Are all aspects of an identified problem addressed? **MC**

c. How does State solicit grant applications based on problem ID? **MC**

d. When the SHSO and State/local agency agree on a problem, how are activities determined to address the problem? **MC**

e. How are previous highway safety activities (such as success/failure of projects, lack of progress, administrative difficulties) considered? **MC**

f. How does State grade and evaluate solicited and unsolicited applications?
MC

5. Performance Plan Development

a. Does the Performance Plan contain a list of objective and measurable highway safety goals, within the National Priority Program Areas and other program areas, based on highway safety problems identified by the State? Do the goals accompany at least one performance measure that enables the State to track progress, from a specific baseline, toward meeting the goal (e.g., a goal to “increase seat belt use from XX percent in 20[] to YY percent in 20[],” using a performance measure of “percent of restrained occupants in front-outboard seating positions in passenger motor vehicles”). (23 CFR, §1200.10 (a)(1)) **Finding**

1. How are State’s performance goals established? **MC**

b. Does the Performance Plan identify the participants in the processes (e.g., highway safety committees and constituent groups)? (23 CFR, §1200.10 (a)(2)) **Finding**

c. Are partners outside SHSO involved? **MC**

d. Are goals shared with potential sub-grantees? **MC**

6. Determine how State’s planning and programming process works. **MC**

a. Determine whether the SHSO has established and adhered to a time-framed

schedule for major events in the planning and programming process: **MC**

- 1) Problem Identification;
- 2) Setting of statewide goals;
- 3) Development of Performance Plan;
- 4) Solicitation of grant applications;
- 5) Receipt of solicited and non-solicited grant applications;
- 6) Review grant applications;
- 7) Evaluate and grade grant applications;
- 8) Approve grant applications;
- 9) Highway Safety Plan preparation;
- 10) HSP/Performance Plan submitted to NHTSA;
- 11) Highway safety funds awarded to SHSO;
- 12) Grants awarded to sub-grantees;
- 13) SHSO obligates funds to GTS;
- 14) Project monitoring;
- 15) HSP closeout; and
- 16) Submission of Annual Report.

7. Legislation

- a. Is legislation needed to maximize program impact? **MC**
- b. What is the role of the GR and SHSO in respect to highway safety legislation? **MC**
 - What are they allowed to do? **MC**
 - What are they prohibited from doing (example: lobbying, out-of-state

travel, etc.)? (Highway Safety Grant Funding Policy for Field-Administrated Grants, III. E. 2.) **Finding**

B. Implementation

1. Identify the individual(s) on the staff that conduct final negotiations concerning project agreements. **MC**
- 2.* Determine whether the SHSO has guidance which provides written requirements and procedures to sub-grantees for preparation, implementation, administration, and evaluation of grant projects to address the following items:
 - a. Content of Project Agreement: **MC**
 - Project description, including problem statement **MC**
 - Project objectives and milestones **MC**
 - Measurable performance standards **MC**
 - Project revision parameters **MC**
 - Required and appropriate training, such as STEP officers required to receive training on special skills: DWI - SFST; OP - TOPS and Operation Kids; Speed – RADAR **MC**
 - PI&E material and incentive items - if federally funded, does State require distribution plans **MC**
 - SHSO monitoring procedures **MC**
 - Periodic/final reporting requirements **MC**
 - Other "boiler plate" requirements (e.g., records retention, property accountability [procurement, inventory, use, disposal], civil rights compliance, termination and revision provisions, rights of the Federal agency under copyright provisions and OMB Circular A-133 audit, if applicable) (49 CFR, §18.37) **Finding**
 - b. Financial requirements (49 CFR 18.20 Standards for Financial Management Systems & 2 CFR §225, Appendix A General Principles for Determining Allowable

Costs) **Finding**

- Budgeted Control (49CFR 18.20 (b) (4) & 2 CFR §225, Appendix A. 2. a. (1)) **Finding**
 - Period for incurring costs and Expiration of Right to Incur Costs (49CFR 18.23 (a) & (23 CFR Part 1200.30) **Finding**
 - Eligibility of costs (Hwy. Safety Grant Funding Policy and 2 CFR §225, Appendix A and B) **Finding**
 - Claimed costs adequately documented? (2 CFR §225, Appendix A. C. 1 (j) and 49 CFR 18.20 (b) (6)) **Finding**
- c. Evaluation/Reporting requirements
- Quarterly Reports **MC**
 - Final Report **MC**
 - Evaluation Report **MC**
3. If State does not have adequate written procedures and requirements, determine the State's plan, if any, for development of such procedures. **MC**
4. Determine if the State has established procedures for project implementation, including: **MC**
- a. Project implementation schedule **MC**
 - b. Commitment of obligated funds to approved projects **MC**
 - c. Pre-award/orientation sessions with project personnel **MC**
5. Determine whether SHSO negotiation process and/or pre-award conference with sub-grantees address the key project elements identified in B.2. above. **MC**
6. When does State begin awarding grants/contracts? **MC**
- a. Before or after NHTSA approves HSP? **MC**
 - b. Before or after NHTSA awards funds to State? **MC**

7. Can the grant approval/delivery process be streamlined to reduce paperwork by:
 - a. Electronic submission of subgrant proposals, performance reports, and financial claims/documents? **MC**
 - b. Using a master grant/agreement for one grantee rather than issuing several grants to the same grantee? **MC**

C. Monitoring and Review

1. Assess compliance with relevant Federal and State directives pertaining to monitoring and oversight of grant programs (49 CFR §18.40 and 23 CFR §1251.4 (f)) **Finding**
- 2.* Identify the individual(s) and title(s) in the SHSO responsible for project/program monitoring and review. **MC**
3. Determine how responsibilities for monitoring and review are assigned (geographically, by program area, fiscal, and audit expertise, by identified skills, etc.) **MC**
4. Determine the relationship between SHSO individuals responsible for program monitoring/review and those responsible for planning implementation **MC**
 - a. Is there a separation of duties and responsibilities? **MC**
 - b. Is there a possible conflict of interest that may preclude objectivity? **MC**
5. What factors are used in determining projects to be monitored on-site (priority programs, dollar amounts, large equipment purchases, complex projects, geographic, etc.) **MC**
- 6.* Determine the SHSO's policy regarding frequency of on-site project monitoring. **MC**
 - a. Is the monitoring schedule adhered to by staff? **MC**
7. Determine if there is a system for preparation and filing of monitoring report and follow-up of any stated findings and recommendations. **MC**
8. Determine how the SHSO uses project monitoring to improve/enhance its program management process (e.g., identify weaknesses in project/program planning, implementation, vouchering and reporting, making adjustments to the HSP

planning, review and approval processes). **MC**

9. Determine if the State has an effective method of suspending or terminating work and recovering funds on State-managed projects and subgrants identified as problematic.
 - a. Have they ever had to use it? **MC**
 - b. Is the process effective? **MC**
 - c. How were funds recovered? **MC**
10. Determine if the State monitors sub-grantees' progress in achieving goals, objectives, and performance indicators. **MC**
11. Determine if the SHSO seeks out innovative and state-of-the art programs/projects to implement and showcase. **MC**

D. Program Strengths

Identify notable strengths of State's highway safety program (best practices, safety conscious planning efforts, significant improvements or achievements in meeting project/program objectives, etc.) and recognize such strengths in MR Report. **Commendation**

III. FINANCIAL MANAGEMENT

A. Financial Management Systems

1. Determine that the State's financial management systems and its grantees meet the financial standards identified. (49 CFR §18.20 (b) (1) through (7))
Finding
2. Determine whether program management staff have financial responsibilities.
MC
 - a.If so, what are their responsibilities? **MC**
 - b. What financial management training have they completed? **MC**

3. Determine whether financial staff also have program area responsibilities. **MC**
 - a. If so, what are their responsibilities? **MC**
 - b. What financial management training have they completed? **MC**
4. Determine if there are adequate separation of duties to provide for reasonable internal control over financial management functions and activities. **MC**

B. Grant Payments-Vouchers

1. Determine if the SHSO is submitting GTS vouchers to NHTSA in accordance with payment/vouchering requirements. (23 CFR, §1200.23). **Finding**
 - a. Local benefit expenditure entries by March 31, and with final voucher (23 CFR §1200.23 (a) (3)) **Finding**
 - b. Are vouchers submitted on a quarterly basis, no later than 15 working days after the end of each quarter or where a State receives funds electronic transfer at an annualized rate of \$1 million or more are vouchers submitted on a monthly basis, no later than 15 working days after the end of each month? (23 CFR §1200.23 (b)) **Finding**
2. Absent findings from the first/last voucher reviews, randomly select one GTS voucher per fiscal year submitted during the review period and trace the information through the accounting records back to the individual sub-grantee project claims to determine the following (The MR Report must note the vouchers reviewed, the periods covered, dollar amount of each voucher, the total vouchered by the State in the FY, the percentage of funds expended for each voucher reviewed to the total expended in the FY, and the results of the voucher review indicating whether or not the vouchers reconciled with the source documentation):
 - a. Is there evidence that project claims, invoices, and other documentation submitted by sub-grantees have been reviewed and approved for payment before funds are drawn down through GTS? (49 CFR §18.20 (b) (3)) **Finding**
 - b. Do the amounts claimed for each project on the GTS vouchers agree with the amounts claimed by the sub-grantees during the same period? (49 CFR §18.20 (b) (4)). **Finding**
 - c. Is the amount of Federal reimbursement to the SHSO the same as the

amount on the GTS voucher, or has an adjustment been made? (49 CFR §18.20 (b) (4). **Finding**

- If adjusted, determine why? **MC or Finding**

- d. Does the amount of Federal funds vouchered against GTS reconcile with receipts and/or deposits in the State's accounting system? (49 CFR, §18.20 (b) (3)(4). **Finding**
- e. Has the State minimized the time elapsing between the transfer of funds and disbursement by the grantee or sub-grantee. (49 CFR §Part 18.21(b)) **MC.**

If material, cover under Financial Management System as a **Finding.**

- f. Program Income - Determine if the highway safety program is generating any program income and ensure it is being handled appropriately. (23 CFR §1200.24) **Finding**

3. HSP Funding Considerations

- a. Are Federal funds obligated to the HSP using HS Form 217 or its electronic equivalent replacement within 30 days of the grant award? **MC**
- b. Are obligated Federal funds committed to projects within a reasonable time after said obligation? **MC**
- c. What are the extent of and/or reason for HSP revisions during the fiscal year? **MC**
- d. Conduct an analysis of the Federal funds for the previous two fiscal years to determine the amount of funds carried forward to the next FY? Original Approved Plan versus Total Obligation versus Total Expenditures. **MC**

C. Audits

- 1. Review last State audit report for findings related to the HSO and resolutions. If unresolved audit findings, determine that appropriate action is taken within six months after receipt of the audit report in instances of noncompliance with Federal laws and regulations. (49 CFR §18.26 (b) (3)) **Finding**
- 2. Determine whether the SHSO has a process to annually review A-133 and A-110 audit reports to determine if there are negative findings relating to federally funded

activities, and that any such findings are addressed and resolved within six months after receipt of the audit report in instances of noncompliance with Federal laws and regulations. (49 CFR §18.26 (b) (3), OMB Circular A-133, Subpart C. §315, and OMB Circular A-110, subpart B, §26) **Finding**

3. Does the SHSO use the Federal Audit Clearinghouse Web site? <http://harvester.census.gov/sac/> MC

D. Matching Funds

Determine if the SHSO has adequate documentation to demonstrate compliance with State Matching Rates (see Hwy. Safety Grant Funding Policy, Part I, B, and Appendix A, NHTSA Order 462-6C for matching requirements). Below are SAFETEA-LU rates. See Hwy. Safety Grant Funding Policy for TEA-21 rates. **Finding**

402 Program - Minimum 20 percent (or applicable sliding-scale rate) of total 402 program (i.e., Federal 402 funds + State funds) (No match required for BIA) **Finding**

405 (OP) - Minimum 25 percent - Yr 1* and 2*; 50 percent - Yr 3 and 4; 75 percent - Yr 5 and 6. *Beginning in FY04 for States awarded FY04 and FY05 TEA-21 405 funds. States not awarded 405 funds in FY04 and FY05 begin at 25 percent **Finding**

408 (Data) - Minimum 20 percent of total program costs (i.e., Federal funds + State/local funds) (No match for BIA) **Finding**

410 (Alcohol) – Minimum (i.e., Federal funds + State funds) 25 percent - Yr 1 and 2; 50 percent - Yr 3 and 4; 75 percent - Yr 5 and 6 **Finding**

1906 (Racial Profiling) - Minimum 20 percent of total program costs (i.e., Federal funds + State/local funds) **Finding**

2011 (CPS/Booster Seats) – Minimum 25 percent Yrs. 1-3; 50 percent Yr 4. (i.e., Federal funds + State funds). Child Safety Seat purchases limited to 50 percent of award. **Finding**

No Match requirements for **406, 2010, 154, and 164**

E. 40 percent Local Benefit

Trace funds expended by or for the benefit of political subdivisions of the State to verify documentation of the 40 percent local benefit requirement. Once the 40 percent has been confirmed no additional review is required. (Hwy. Safety Grant Funding Policy,

Part I, C, and Appendix A, and 23 CFR §1250) **Finding**

1. Confirm State's documentation of "Local Benefit" to determine if local governmental entities had an active voice in the development of the highway safety program. (23 CFR §1250.3 (c) and §1250.4) **Finding**

2. Local Benefit applies to 157 and 163 Incentive funds if they are used as 402 funds, and 154 and 164 funds if used for alcohol (not hazard elimination). (Note: BIA local benefit is 95%) (Hwy. Safety Grant Funding Policy: I.C; Appendix A; Section 163 Guidance; and Section 154/164 Guidance) **Finding**

F. Planning and Administration (Sections 402, 406, 410, 154, and 164)

Verify that all P&A expenditures are consistent with sound management practices:

1. Verify documentation used by SHSO to support P&A minimum 50 percent match (or applicable sliding-scale rate) requirement. (Hwy. Safety Grant Funding Policy I. A.) **Finding**

2. Verify that salaries and other costs are being charged correctly to P&A. (Hwy. Safety Grant Funding Policy I. A.) **Finding**

3. Review time sheets to make sure the allocation of time is correct. (For example, financial manager should be charged to P&A.) (Hwy. Safety Grant Funding Policy I. A.) **Finding**

4. Verify that P&A documentation includes certifications required if employee works solely in one grant P&A; or personnel activity reports or equivalent documentation if employee works in multiple P&As and a program area(s) or grant program(s). (2 CFR §225, Appendix B, 8.h.) **Finding**

G. Program Management Costs

Verify Program Management documentation includes certifications if employee works solely in a single program area; or personnel activity reports or equivalent documentation if employee works in multiple program areas or grant programs. (2 CFR §225, Appendix B, 8.h.) **Finding**

H. Time and Attendance

Ascertain whether basic time and attendance records are approved by the supervisor or timekeeper and whether attendance of salaried employees is accurately recorded.

(Federally funded or State match) **MC unless related to a State law, regulation, rule, policy, or guideline, in which case would be a Finding.**

I. Project Equipment

1. Verify that State has a system for tracking, managing, and disposing of equipment acquired under a highway safety grant by the State in accordance with State laws and procedures. (49 CFR, §18.32 and 23 CFR, §1200.21) **Finding**
2. Determine whether appropriate NHTSA approvals have been requested and received by the SHSO regarding acquisition and disposal of major equipment acquired under a highway safety grant. (23 CFR, §1200.21) **Finding**
3. Determine that the SHSO has procedures to monitor equipment purchased from highway safety grants of non-State sub-grantees concerning use, property records, physical inventory, control, and disposition? (49 CFR, §18.32 (c) through (e)) **Finding**
4. Verify that State/sub-grantees are complying with applicable written State procurement laws, regulations, rules, policy, or guidelines related to the acquisition of equipment. (49 CFR, §18.36) **Finding**

J. Contracts/Professional Service Agreements

1. Determine whether SHSO have an established process to ensure that State procurement laws, regulations, rules, policy, or guidelines are followed regarding contracts and/or professional service agreements. (49 CFR, §18.36) **Finding**
2. Determine whether the SHSO have established procedures to ensure that grantees and sub-grantees will use their own procurement procedures that reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards in 49 CFR, §18.36 (b)? **Finding**
3. If so, verify that State/sub-grantees are following the established process to ensure compliance with applicable State/local procurement procedures regarding contracts and/or personal service agreements. (49 CFR, §18.36) **Finding**

K. Indirect Costs

If the SHSO is using Federal funds for indirect costs or paying sub-grantees for indirect costs, determine whether SHSO has available approval letter from the cognizant Federal agency? (2 CFR, §225, Appendix E. E. 3. and OMB Circular A-122,

**BACKGROUND - NONSTATISTICAL SAMPLING - to be used for
project review section IV Below**

Arbitrary Selection

In this method, the reviewer selects the sample items without intentional bias to include or exclude certain items in the population. It represents the reviewer's best estimate of a representative sample -- and may, in fact, be representative. Defined probability concepts are not employed. As a result, such a sample may not be used for statistical inferences. Arbitrary selection is permitted for nonstatistical samples when the reviewer believes it produces a fairly representative sample.

Judgment Selection

Judgment sample selection is based on the reviewer's sound and seasoned judgment. Three basic issues determine which items are selected:

1. Value of items. A sufficient number of extensively worked or older accounts should be included to provide adequate audit coverage.
2. Relative risk. Items prone to error due to their nature or age should be given special attention.
3. Representativeness. Besides value and risk considerations, the reviewer should be satisfied that the sample provides breadth and coverage over all types of items in the population.

IV. PROJECT FILE REVIEW

Project files reviewed by NHTSA during the FY, prior to the MR on-site, should be included in MR process.

- A. Select projects based on the Project File Review non-statistical procedures described under the background section **above**, and as noted in the MR Guidelines and on-site time constraints. For those projects selected, examine all items included in the Project File Review Checklist.
- B. If recurring problems are identified, review should be expanded as appropriate to determine overall scope and impact of problem.
- C. Summarize major issues identified during the Project File Review(s) pertaining to the Project File Review Checklist form.
- D. If there is a compliance finding, additional files will be examined to see if the

problem is isolated or widespread. If the problem is found to be isolated (and not material), the MR should exclude the finding in the MR report. If the problem, even if isolated, involves unallowable or ineligible use of Federal funds, the problem should be noted in the MR Report.

V. ENFORCEMENT ACTION FOR NONCOMPLIANCE

If during the review areas of noncompliance are noted, remedies for noncompliance will be accordance with 49 CFR §18.43 &18.12.